

## Message Text

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 3382

INFO AMEMBASSY AMMAN

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

USMISSION SINAI

USIA WASHDC

DIA WASHDC

USCINCEUR VAIHINGEN GE/EC J-2

EMBASSY ABU DHABI UNN

AMEMBASSY ADDIS ABABA UNN

AMEMBASSY ALGIERS UNN

AMEMBASSY BEIRUT ANN

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TAGS: PFOR PINT EG

SUBJECT: QUARTERLY POLITICAL ASSESSMENT: JANUARY 1--MARCH 30, 1977

REF: CAIRO 71

SUMMARY: JANUARY RIOTS, TRIGGERED BY POLITICALLY INEPT

HANDLING OF PRICE RISE ANNOUNCEMENT AND PROLONGED BY

SECURITY MISCALCULATIONS, DRAMATICALLY MANIFESTED TOLERANCE LIMIT OF URBAN POOR, EXCELLENT ORGANIZATION OF COVERT LEFT, AND ULTIMATE DEPENDENCE SADAT REGIME ON GOOD WILL OF ARMED FORCES. WHILE ENHANCED AWARENESS OF MILITARY FACTOR MAY ACT CONSTRICT SADAT'S FREEDOM TO MANEUVER, HIS SELF-CONFIDENCE FULLY RESTORED AND HIS DETERMINATION PURSUE PEACE NEVER FLAGGED. HE HAS SOUGHT ORCHESTRATE UNIFIED, CONSTRUCTIVE ARAB NEGOTIATING POSITIONS FOR GENEVA, SEEKING DRAW PLO INTO PEACE PROCESS AND MEET ISRAEL'S "THIRD STATE" CONCERN BY PROPOSING PRE-MPEC CONFEDERATION OF JORDAN AND WEST BANK/GAZA STATE. WHILE SECRETARY VANCE'S VISIT REASSURED EGYPTIANS OF USG'S FIRM COMMITMENT TO PEACE EFFORT, SUBSEQUENT "DEFENSIBLE BORDERS" REFERENCE WORRIED THEM. NEVERTHELESS, GOE PUBLICLY STRESSED "POSITIVE ASPECTS" OF PRESIDENT CARTER'S REMARKS, AND SADAT LOOKING FORWARD TO WASHINGTON VISIT, WHERE HE HOPES BE ABLE OFFER FURTHER (UNSPECIFIED) "CARDS," TO ASSIST PEACE EFFORT. WHILE GOE WANTS NON-HOSTILE SOVIET CO-CHAIRMAN AT MEPC, SADAT CONTINUES PROFOUNDLY SUSPICIOUS OF USSR, ESPECIALLY OF SOVIET/LIBYAN EFFORT "ENCIRCLE" EGYPT AND SEIZE HORN OF AFRICA.

SADAT'S FUTURE LIKELY TO DEPEND ON PROGRESS IN ME PEACE EFFORT AND IMPROVEMENT IN EGYPTIAN ECONOMIC SITUATION. LATTER AT BEST SLOW PROCESS AND THERE IS SOME DOUBT GOE WILLING MAKE HARD ORGANIZATIONAL DECISIONS REQUIRED TO STIMULATE ECONOMY. END SUMMARY

#### 1. PART I. FOREIGN AFFAIRS

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#### 2. A. US-EGYPTIAN RELATIONS.

WITH ADVENT OF CARTER ADMINISTRATION, GOE CONTINUED TO PRESS ITS ME PEACE OFFENSIVE BY CALLING FOR EARLY RESUMPTION OF GENEVA CONFERENCE WITH PLO ATTENDING. THOUGH SOMEWHAT APPREHENSIVE THAT NEW ADMINISTRATION MIGHT BE LESS THAN EVEN HANDED IN ARAB-ISRAELI DISPUTE, SADAT PUBLICLY AND PRIVATELY VOICED HIS DESIRE TO CONTINUE TO WORK WITH USG FOR JUST AND DURABLE PEACE. SHAKEN BY JANUARY 18-19 FOOD RIOTS (SEE BELOW), SADAT WAS APPRECIATIVE OF PROMPT USG RE-PROGRAMMING OF '77 AID COMMITMENT TO ALLOW GREATER COMMODITY PURCHASES TO HELP ALLEVIATE FOOD PROBLEMS. GOE AWARE THAT QUICK USG ACTION RESULTED FROM PERSONAL INTERVENTION OF PRESIDENT CARTER AND SECRETARY VANCE TO PERSUADE CONGRESSIONAL LEADERS.

3. FEB. VISIT OF SECRETARY VANCE WARMLY WELCOMED AND PROVIDED NEEDED RE-ASSURANCE TO EGYPTIAN LEADERSHIP OF HIGH PRIORITY NEW ADMINISTRATION GIVES TO ME PEACE SETTLEMENT AND OF ITS DESIRE WORK CLOSELY WITH SADAT TO THIS END. INVITATION EXTENDED BY

SECRETARY, ON BEHALF PRESIDENT CARTER, FOR SADAT TO BE FIRST ARAB LEADER TO VISIT WASHINGTON WAS SEEN AS ANOTHER SIGN THAT TWO COUNTRIES WOULD CONTINUE TO WORK TOGETHER. ANNOUNCEMENT CANCELLATION CBU OFFER TO ISRAEL GRATIFIED GOE. EGYPTIAN REACTION TO SECRETARY VANCE WAS POSITIVE AND BOTH SADAT AND FAHMY ARE PLEASED THAT ELEMENT OF RAPPORT COULD QUICKLY BE DEVELOPED. SADAT ANXIOUS TO DEVELOP SIMILAR RAPPORT WITH PRESIDENT CARTER ON UPCOMING VISIT.

4. PRESIDENT CARTER'S PERSONAL INTEREST IN ME PROBLEM WELCOMED, THOUGH MARCH 9 AND MARCH 16 STATEMENTS PUZZLED GOE AND CAUSED ANXIOUS QUESTIONS BY FOREIGN RELATIONS COMMITTEE AND PRESS. WHILE WORRIED ABOUT SOME ASPECTS OF THESE STATEMENTS, EMG. DEFENSIBLE BORDERS, GOE SOUGHT TO EMPHASIZE THEIR POSITIVE ASPECTS FROM ARAB VIEWPOINT. SADAT PROFESSES UNDERSTAND PRESIDENT CARTER'S PURPOSE IN GOING PUBLIC, BUT BELIEVES THAT SENSITIVE ARAB-ISRAELI PROBLEM REQUIRES DISCREET HANDLING UNTIL CONFIDENTIAL

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SUCH TIME AS MORE POSITIVE RESULTS ARE REACHED. ON HIS PART, SADAT FELT COMPELLED TO MAKE PUBLIC STATEMENTS THAT NO CONCESSIONS POSSIBLE ON OCCUPIED ARAB TERRITORIES OR ON NEED FOR SATISFACTORY RESOLUTION PALESTINIAN PROBLEM. SAME TIME HE IS AWARE OF DIFFICULTY POSED BY UNRESOLVED PLO REPRESENTATION ISSUE AND IS SEARCHING FOR FORMULAE WHICH MIGHT HELP OVERCOME THIS OBSTACLE. HE TOLD ASAD AND OTHER ARAB LEADERS THAT HE INTENDS TO PROVIDE PRESIDENT CARTER WITH "CARDS" (UNSPECIFIED) TO ASSIST IN REJUVENATING ME PEACE EFFORT, BUT IS CONCERNED THAT HIS IDEAS NOT BE PREMATURELY PASSED TO ISRAELIS LEST THEY SIMPLY BE POCKETED AND GENERATE MORE DEMANDS. SADAT IS PUBLICLY AND PRIVATELY STATING HIS OPTIMISM ABOUT UPCOMING VISIT.

5. ON EVE SADAT'S TRIP, US-EGYPTIAN BILATERAL RELATIONS ARE GENERALLY GOOD, ALTHOUGH DIVERGENCES EXIST. OUR CONTINUED UNWILLINGNESS ENGAGE IN DIRECT DIALOGUE WITH PLO, LET ALONE AGREE TO DIRECT PLO REPRESENTATION AT GENEVA, DISTURBS GOE AND IS VIEWED AS BOWING TO ISRAELI PRESSURES. FINALLY, SADAT HAS UNWISELY PUT HIS PRESTIGE ON THE LINE BY PUBLICLY ANNOUNCING HIS INTENTION TO ASK FOR US DEFENSIVE ARMS, INCLUDING F5-3'S, ALTHOUGH HE REALIZES PROBLEM THIS POSES FOR NEW ADMINISTRATION. HIS UPCOMING TALKS WITH PRESIDENT CARTER WILL TO LARGE EXTENT INFLUENCE COURSE OF FUTURE US-GOE RELATIONS.

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AMEMBASSY PARIS  
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DIA WASHDC  
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-EMBASSY ABU DHABI UNN  
AMEMBASSY ADDIS ABABA UNN  
AMEMBASSY ALGIERS UNN  
AMEMBASSY BEIRUT UNN  
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6. B. EGYPTIAN-SOVIET RELATIONS. THROUGHOUT QUARTER FAHMY CONTINUED  
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PUBLICLY TO BEAT DRUM FOR SOVIET, AS WELL AS AMERICAN,  
"VISUALIZATION" OF FINAL PEACE SETTLEMENT. SOVIET MFA'S ME  
EXPERT SYTENKO VISITED JUST BEFORE SECRETARY VANCE, BUT BROUGHT  
NO VISUALIZATION. WHEN, IN MID-MARCH, BREZHNEV FINALLY AIRED HIS  
THOUGHTS ON HOW PEACE SETTLEMENT MIGHT DEVELOP, FAHMY ACCORDINGLY  
GREETED STATEMENT AS POSITIVE AND TIMELY. THOUGH HE BELIEVES  
SOVIETS MERELY SCRAMBLING TO KEEP UP WITH WHAT HE CALLED

AMERICAN "TRIAL BALLOONS", FAHMY HAS ALWAYS BEEN CONCERNED THAT HIS RELATIONS WITH USSR, MEPC CO-CHAIRMAN, BE AS AMICABLE AS POSSIBLE WHEN GENEVA CONVENES.

7. DESPITE EGYPTIAN PLEASURE WITH BREZHNEV STATEMENT, QUARTER WAS NOT NOTABLE FOR BILATERAL BRIDGEBUILDING EFFORTS. PRAVDA BLAST FEBRUARY 19 AT "SLANDER" IN SADAT'S MEMORIS (SERIALIZED IN OCTOBER MAGAZINE), "A VIRULENT RELEASE OF PENT UP SOVIET FRUSTRATION AND ANGER" (MOSCOW 2488), CAME AFTER GOE BLAMED LEFTISTS FOR JANUARY RIOTING. THOUGH EGYPTIAN PRESS RIPOSTED IN KIND ("FEROCIOUS, DESPICABLE ATTACKS"), PUBLIC EXCHANGE OF VITUPERATION SEEMD TO HAVE CLEARED THE AIR SOMEWHAT, THOUGH MOSCOW REMAINED EXTREMELY SUSPICIOUS OF SADAT (MOSCOW 3027).

8. EGYPT REMAINED EQUALLY SUSPICIOUS OF MOSCOW. FAHMY ON MARCH 12 COMPLAINED TO US OF USG OBLIVION OF SOVIET STRATEGY (USING CATRO AND OTHER SURROGATES TO ENCIRCLE EGYPT WITH HOSTILE REGIMES AND CAPTURE HORN OF AFRICA. GOE ALSO CONTINUED COMPLAIN ABOUT DEBT RESCHEDULING AND ARMS RESUPPLY. MUCH POSTPONED VISIT BY SOVIET TRADE OFFICIAL GRISHIN FINALLY BEGAN MARCH 15; HE WAS GREETED BY VOLLEY ANTI-SOVIET PRESS COMMENTARY, BUT 1977 BILATERAL PROTOCOL FINALLY SIGNED MARCH 29. ON ARMS RESUPPLY, SOVIETS RETURNED 50 AIRCRAFT ENGINES THEY HAVE HELD FOR "MORE THAN TWO YEARS" (SADAT), BUT FAHMY SAID PUBLICLY MARCH 22 ENGINES WERE "WRONG TYPE" (I.E., NO MIG 21'S) AND THAT 123 ENGINES ARE STILL IN USSR. THERE MAY BE INDIRECT GESTURE OF MORE POSITIVE SOVIET POSITION RE ARMS, HOWEVER, IF REPORTED SALE OF 220 CZECH T-55 TANKS TO EGYPT IS ACCURATE.

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9. C. EGYPTIAN-ARAB AFFAIRS. SADAT SEES HIS PEACE STRATEGY IN TERMS OF A JOINT GOE/USG APPROACH: US SHOULD MOVE PEACE PROCESS FORWARD BY SUPPLYING "VISUALIZATION" OF FINAL SETTLEMENT AND BY "SOFTENING" ISRAELI POSITIONS; SADAT TAKES UPON HIMSELF RESPONSIBILITY FOR PRODUCING REASONABLE, UNIFIED ARAB POSITIONS FOR MEPC.

10. IN PREVIOUS QUARTER, SADAT HAD BEGUN EFFORT TO MOLD ARAB POSITION BY CEMENTING RAPPROCHEMENT WITH SYRIA. AT THE NEW YEAR, HE REVIVED IDEA HE HAD FLOATED IN THE SUMMER OF 1974; "CERTAIN RELATIONSHIP" SHOULD BE DECLARED WITH JORDAN WHENEVER A PALESTINIAN STATE IS CREATED, PERHAPS "ON THE MODEL OF THE CONFEDERATION OF ARAB REPUBLICS" (I.E., BOTH JORDAN AND WEST BANK/GAZA STATE WOULD POSSESS DEGREE OF SOVEREIGNTY). FAHMY TOOK THIS NOTION FURTHER BY PUBLICLY SUGGESTING JANUARY 14 THAT NEGOTIATIONS TO ESTABLISH A PALESTINIAN STATE AND TO ESTABLISH THAT STATE'S LINK WITH JORDAN MIGHT PROCEED SIMULTANEOUSLY. IN COMMUNIQUE FOLLOWING HUSAYN'S VISIT TO ASWAN, EGYPT ACHIEVED FORMAL JORDANIAN AGREEMENT TO LINK IDEA. IN FEBRUARY 28 PRESS

CONFERENCE, SADAT WENTSTEP FURTHER BY SUGGESTING, AFTER TALKING TO ASAD, THAT THERE SHOULD BE AGREEMENT ON CONFEDERATION BEFORE RPT BEFORE MEPC.

11. HAVING ACHIEVED WORKING AGREEMENT WITH SAUDI ARABI, SYRIA AND THEN JORDAN, ON POSSIBLE APPROACH TO PROBLEM OF ISRAELI OBJECTIONS TO "THIRD STATE" BETWEEN IT AND JORDAN, NEXT STEP WAS TO OBTAIN PALESTINIAN SUPPORT. WHILE JANUARY RIOTING DIVERTED ATTENTION FROM SADAT'S CONTINUING EFFORTS ORCHESTRATE A UNIFIED ARAB POSITION, EGYPTIAN DIPLOMATS MET PLO LEADERSHIP CONSTANTLY TO PRESS FOR ACTION AT MARCH MEETING OF PNC, PLO'S PARLIAMENT. EGYPTIAN LEADERS INSISTED PLO MUST BE REPRESENTED AS INDEPENDENT DELEGATION AT MEPC AND PLO MUST PRESIDE OVER WESTERN SECTION OF STATE LINKED WITH JORDAN; FOR ITS PART, PLO SHOULD ESTABLISH GOVERNMENT-IN-EXILE, PUBLICLY ACCEPT WEST BANK/GAZA "STATE".

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12. AS IT TURNED OUT, PNC TOOK NO HARD DECISIONS ON ITS OW, BUT DID DELEGATE FULL AUTHORITY TO ITS EXECUTIVE COMMITTEE. THIS NEW AUTHORITY AMOUNTS TO PERMISSION FOR ARAFAT TO CHANGE PLO POLICY DOWN THE LINE; I.E., AUTHORITY ACT OUTSIDE CONTEXT OF NATIONAL CHARTER. EGYPTIANS WERE DISAPPOINTED THAT REJECTION OF 242 REAPPEARED IN PNC POLITICAL DECLARATION AND SADAT IS ANGRY THAT PNC AVOIDED PUBLIC MENTION OF HIS LINKAGE IDEA. NEVERTHELESS, EGYPTIANS ARE HEARTENED BY WHAT THEY INSIST IS ARAFAT'S NEW SELF-CONFIDENCE, BELIEVING THAT IF USG GIVES ASSURANCES OF SUPPORT FOR CONCEPT OF WB/GAZA STATE WITH A DEGREE OF SOVEREIGNTY, ARAFAT NOW HAS THE GUTS (WHICH PERHAPS MORE IMPORTANT THAN THE AUTHORITY) TO PLAY HIS "SINGLE CARD" (RECOGNITION OF ISRAEL, ALBEIT RELUCTANTLY. FAHMY MADE CLEAR IN PUBLIC THAT SHOULD SUCH ASSURANCES BE FORTHCOMING PLO IS EXPECTED TO "GET MOVING".

13. LIBYA AND SUDAN. QADHAFI'S REACTION TO JANUARY RIOTING WAS CABLE TOSADAT BLAMING HIM FOR "MURDERING EGYPTIAN PEOPLE WHOLESale". SINCE THEN LIBYAN HOSTILITY HAS BEEN UNABATED. WITHIN EGYPT, LIBYAN SUBVERSION HAS INCLUDED EFFORTS DISCHARGE BOMBS IN PUBLIC PLACES, INCLUDING DURING AFRO-ARAB SUMMIT, AND CONTINUING SUBVENTIONS TO ANTI-SADAT INTERNAL ELEMENTS. OUTSIDE EGYPT, LIBYAN EFFORTS SUBVERT MUNAYRI REGIME WERE JUDGED SO SERIOUS BY SADAT THAT MUTUAL DEFENSE AGREEMENT WAS SIGNED JANUARY 15 WITH SUDAN. ASAD WAS MOBILIZED TO ATTEND TRI-PARTITE SUMMIT IN KHARTOUM FEBRUARY 27, AFTER WHICH SUDAN WAS INVITED JOIN GOE/SARG "UNIFIED POLITICAL COMMAND."

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14. WITH CONTINUOUS APPEARANCE OF "SABOTAGE SQUADS", SUPPOSED

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FORMATION IN LIBYA OF AN "EGYPTIAN LIBERATION FRONT", RECRUITMENT  
OF EGYPTIAN NATIONALS, AND, IN LATE MARCH, LIBYAN REFUSAL PERMIT  
ANY EGYPTIANS (OTHER THAN DOCTORS AND TEACHERS) INTO THE

COUNTRY, SADAT CONTINUES TO BE CONVINCED THAT QADHAFI MUST GO. ALTHOUGH LIBYA IS IN NO POSITION IMPEDE THE PEACE PROCESS, AND EGYPTIAN FOREIGN POLICY PLANNING FOCUSED ALMOST EXCLUSIVELY ON GENEVA, QADHAFI THREAT TAKEN SERIOUSLY, AS LATE MARCH DECISION SEND A THIRD BRIGADE TO WESTER BORDER AREA ATTESTS.

15. D. EGYPTIAN/AFRICAN AFFAIRS. HORN OF AFRICA TOOK ON MAJOR IMPORTANCE FOR GOE DURING QUARTER. FOR EGYPTIANS, NEW ETHIOPIAN GOVERNMENT IS POTENTIAL SECURITY DISASTER, GIVEN CLOSE SOVIET LINKS AND WILLINGNESS COOPERATE WITH LIBYA AGAINST NUMAYRI. BY MARCH 11, SADAT WAS READY TO SURFACE PUBLICLY GOE'S FIRST CONDEMNATION OF "ETHIOPIAN REPRESSION" IN ERTIREA, WHICH HE LINKED TO SOVIET/LIBYAN COLLUSION. IN CONTRAST TO ITS VIEW THAT MENGISTU REGIME IS INCORRIGIBLE, EGYPT VIEWS SOMALI GOVERNMENT AS BASICALLY NATIONALIST, AND STRONGLY SUPPORTS EFFORTS BY NUMAYRI TO COME TO RED SEA SECURITY ARRANGEMENT WITH SOMALIS, SAUDIS, AND THE TWO YEMENS, SO AS TO ISOLATE AND DILUTE SOVIET INFLUENCE IN THE HORN. GOE ALSO CONCERNED THAT TFAI TURN-OVER PROCEED SMOOTHLY AND HAS URGED US ESTABLISH CONSULATE IN DJIBOUTI.

16. WHILE HORN AFFAIRS MADE UP SUBSTANCE OF EGYPT'S AFRICA POLICY DURING THE QUARTER, SHOW PIECE WAS MARCH 7-9 AFRO-ARAB SUMMIT. AGAINST BACKGROUND OF AFRICANS' COMPLAINTS THAT ARABS HAD NOT COMPENSATED THEM FOR POLITICAL BOYCOTT OF ISRAEL AFTER OCTOBER WAR, CONFERENCE NEVERTHELESS WAS SUCCESS. RICH ARABS PLEDGED 1.5 BILLION DOLLARS IN RETURN FOR CONTINUED AFRICAN SUPPORT FOR POLITICAL ISOLATION OF ISRAEL AND EXPLICIT CONDEMNATION OF ISRAELI POLICY IN THE OCCUPIED TERRITORIES. THIS WAS SEEN BY EGYPTIANS AND SAUDIS AS REASONABLE PRICE TO PAY TO COUNTER RISING SOVIET INFLUENCE IN AFRICA. SINCE OVERWHELMING LOGISTICS AND SECURITY PROBLEMS OF CONFERENCE WERE HANDLED SMOOTHLY, AND SADAT ELECTED AFRO-ASIAN CHAIRMAN FOR CONFIDENTIAL

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THREE-YEAR TERM, IT SEEMS FAIR TO ASSUME SUMMIT SERVED TO HELP REFURBISH PRESIDENT'S INTERNATIONAL PRESTIGE IN AFTERMATH OF JANUARY RIOTS.

17. E. EGYPTIAN-EUROPEAN RELATIONS. FAHMY DEVELOPED NEW PHRASEOLOGY IN HIS EFFORT USE WESTERN EUROPE PROD USG ON PEACE FRONT: UK, FRENCH, AND FRG SHOULD BE "CO-PARTNERS" IN SEARCH FOR PEACE. FAHMY WAS FURIOUS THAT EC POLITICAL STATEMENT, WHIEH HE THOUGHT PARTICULARLY FORTHCOMING ON PALESTINIAN ISSUE, WAS NOT RELEASED. HE ASCRIBED THIS EUROPEAN "TIMIDITY" TO US PRESSURE, THEN LEAKED INCOMPLETE VERSION OF STATEMENT. NEVERTHELESS, EGYPT CONTINUES TO VALUE RELATIONS WITH EUROPEANS CHIEFLY IN BILATERAL CONTEXT. EVEN EURO-ARAB MEETING IN TUNISIA FEB 10 WAS REGARDED AS IMPORTANT ALMOST SOLELY BECAUSE OF UNPUBLISHED EC STATEMENT.



18. BILATERALLY, FRANCE CONTINUE RIVAL-LESS AS EGYPT'S MOST VALUED PARTNER IN POLITICAL AND MILITARY SUPPLY FIELDS. FRENCH DEFMIN ARRIVED JAN 4 FOR HIGHLY PUBLICIZED VISIT TO DISCUSS ARMS SALES (RICH ARABS WILL PAY) AND ONGOING EFFORTS TO ESTABLISH ARAB ARMS INDUSTRY (CHIEFLY IN EGYPT). FRENCH FONMIN FOLLOWED SECRETARY VANCE TO CAIRO. FRG, AT SADAT'S URGING, PRODUCED HIGH LEVEL ADVISOR FOR EGYPTIAN ECONOMIC/FINANCIAL REORGANIZATION, REINFORCING INCREASINGLY SIGNIFICANT WEST GERMAN ECONOMIC RELATIONSHIP WITH EGYPT. FONMIN GENSCHER VISITED FEB 11. BOTH HE AND DE GUIRINGAUD BILLED TRIPS AS EXPLORATORY EFFORTS PUSH ALONG PEACE PROCESS.

19. F. MISCELLANEOUS. OTHER (NON-ARAB) VISITORS IN QUARTER INCLUDED SPANISH KING, BELGIAN CROWN PRINCE, SWEDISH DEFMIN, AND FONMINS OF YUGOSLAVIA AND CZECHOSLOVAKIA AND ITALY. DPRK AND POLISH DEPPRIMINS AND ROMANIAN CHIEF OF STAFF ALSO HERE OFFICIALLY, AS WERE OAS SYG, MALAYSIAN PRIMIN AND NUMEROUS AFRICAN DIGNITARIES, INCLUDING MOST RECENTLY SPECIAL ENVOY FROM MOBUTU. TITO'S VISIT TO ASWAN, SCHEDULED TO BEGIN JAN 20, WAS POSTPONED MORE DUE TO EGYPTIAN WORRY ABOUT JANUARY 18-19  
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RIOTS THAN TITO'S NEED TO RETURN FOR FUNERAL OF HIS PRIMIN. PRIMIN SALIM VISITED IRAN IN MARCH BUT WITHOUT ANY NEW AID COMMITMENT.

20. WALDHEIM VISITED TWICE, IN ACCORDANCE WITH HIS UNSC INSTRUCTIONS, BUT CONFINED HIS EXPLORATORY TALKS TO PROCEDURAL MATTERS.

21. PART II: INTERNAL AFFAIRS

AS QUARTER BEGAN, PRESIDENT SADAT'S POLITICAL LIBERALIZATION WAS PROCEEDING APACE; ONE OF RINGLEADERS OF THE MAY 1973 ABORTIVE COUP WAS RELEASED AT THE NEW YEAR. THEN CAME DRAMATIC SHOCK.

22. PRESSURED BY GROWING NEED FOR IMF STAND-BY AGREEMENT (NECESSARY TO GAIN ACCESS TO PENINSULAR ARAB FUNDS), GOE MADE BALD, UNHERALDED ANNOUNCEMENT TO PEOPLES ASSEMBLY JANUARY 17 THAT SUBSIDY CUTS FROM THAT DAY FORWARD WOULD VIRTUALLY DOUBLE PRICES OF SUCH STAPLES AS BREAD, TEA, SUGAR AND BUTAGAS. BY AFTERNOON JANUARY 18 SPONTANEOUS OUTPOURING OF COMPLAINT HAD BEEN INFILTRATED BY ORGANIZED LEFTIST ELEMENTS, WHO SUCCESSFULLY INCITED VIOLENCE AND LED CHANTING AGAINST SADAT, HIW WIFE, PRIME MINISTER SALIM AND SPEAKER MAR'I. DESPITE CURFEW AND APPEALS FROM GOVERNMENT LEADERS, RIOTING CONTINUED IN CAIRO, ALEXANDRIA AND NUMEROUS PROVINCIAL TOWNS. SECURITY FORCES PROVED UNABLE COPE WITH SPREADING VIOLENCE, FORCING SADAT TO ORDER ARMY INTO STREETS AFTERNOON JANUARY 19 AND TO "SUSPEND" OFFENDING DECREES.

23. SADAT WAS FURIOUS. INEPT POLITICAL AND PR EFFORT AND  
SUBSEQUENT SECURITY MISCALCULATIONS HAD RESULTED IN AT LEAST  
50 DEAD IN CAIRO AND ALEXANDRIA, MORE THAN 700 INJURED  
AND CONSIDERABLE PROPERTY DAMAGE. ARRESTS TOTALLED OVER 1200.  
SCAPEGOATS WERE QUICKLY SELECTED. "COMMUNIST WORKERS PARTY,"  
WITH ALLEGED CLOSE CONNECTIONS TO HABASH'S PFLP AND TO SOUTHERN  
YEMENI NLF (BOTH MARXIST), WAS SPECIFICALLY ACCUSED OF "PLOT TO  
BURN CAIRO". SADAT CHOSE KEEP PRIMIN SALIM, HIS POLICE EXPERT,  
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IN OFFICE, FIRING MININT AND SOME JUNIOR MINISTERS INSTEAD. AT  
QUARTER'S END RUMORS ABOUNDED THAT FULL CABINET RESHUFFLE  
INCLUDING A NEW PRIMIN, WOULD OCCUR AFTER SADAT'S US TRIP.

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AMEMBASSY JIDDA  
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AMEMBASSY LONDON  
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AMEMBASSY PARIS  
AMEMBASSY TEL AVIV  
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USCINCEUR VAIHINGEN GE/EC J-2

AMEMBASSY ABU DHABI UNN  
AMEMBASSY ADDIS ABABA UNN  
AMEMBASSY ALGIERS UNN  
AMEMBASSY BEIRUT  
ZNE/AMEMBASSY DOHA UNN  
AMEMBASSY MANAMA UNN  
AMEMBASSY TUNIS UNN  
AMCONSUL ALEXANDRIA UNN  
USINT BAGHDAD UNN

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SADAT HIMSELF WAS PUZZLINGLY SILENT AFTER RIOTS, BUT FINALLY  
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EMERGED TO MEET LABOR LEADERS, UNIVERSITY ADMINISTRATORS,  
STUDENTS AND RELIGIOUS DIGNITARIES, APPEALING FOR CALM AND  
COMMON SENSE. FURTHER REINFORCING HIS IMAGE AS "FATHER OF THE  
FAMILY", PRESIDENT WENT ON TELEVISION FEB 3 WITH A NON-NONSENSE  
LAW-AND-ORDER DECREE (SUBSEQUENTLY RATIFIED BY NATIONAL  
REFERENDUM), WHICH WELCOMED BY FRIGHTENED MIDDLE CLASS AND EVEN  
BY SOME ELEMENTS ORGANIZED LABOR.

24. RIOTS PROVIDED DRAMATIC DEMONSTRATION OF SOME BASIC  
POLITICAL FACTS, ALL OF WHICH GOE WILL HENCEFORTH HAVE TO BUILD  
INTO POLICY PLANNING:

(A) SPONTANEITY AND SIZE OF DEMONSTRATIONS SHOWED  
CONCLUSIVELY THAT THERE ARE LIMITS TO DEGREE OF ECONOMIC  
PRIVATION WHICH URBAN EGYPTIANS WILL TOLERATE (AS WE HAD  
DISCUSSED IN OUR PREVIOUS QUARTERLY--PARA 22 REFTTEL);

(B) RIOTS DEVELOPED IN MANNER WHICH REFLECTED CLASS  
WARFARE, NOT SEEN IN EGYPT FOR MANY YEARS;

(C) COVERT LEFT WAS FAR BETTER ORGANIZED TO TAKE ADVANTAGE  
OF SPONTANEOUS DEMONSTRATIONS THAN GOE HAD ASSUMED. IN LATER  
STAGES, COMMUNIST/NASSERIST ELEMENTS USED SOPHISTICATED  
URBAN GUERRILLA TACTICS, SUCH AS ASSAULTS ON POLICE AND FIRE  
STATIONS AND DISPERSAL LARGE CROWDS INTO MOVING, SMALL  
DEMONSTRATIONS.

(D) RIOTS CONCLUSIVELY DEMONSTRATED FOR ANY DOUBTERS  
THAT IN FINAL ANALYSIS SADAT REGIME DEPENDS ON LOYALTY OF MILITARY,  
A LESSON WHICH HAS NOT BEEN LOST ON CIVILIAN AND MILITARY LEADERS  
AND WHICH IS LIKELY FORCE SADAT TAKE MORE INTO ACCOUNT THAN IN  
PAST THE POLITICAL VIEWS OF MILITARY COMMANDERS;

(E) SADAT MAY HAVE MOVED TOO FAR AND TOO FAST IN HIS  
POLITICAL LIBERALIZATION EFFORTS. WHILE HE STILL DETERMINED

MAKE EXPERIMENT WORK (OFFICIAL MARXIST PARTY WILL NOT BE  
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OUTLAWED), SOME RETROGRESSION HAS OCCURRED--E.G. SADAT'S  
LAW-AND-ORDER DECREE, MUZZLING OF LEFTIST PRESS, AND EXPULSION  
FROM PARLIAMENT OF RIGHT WING SADAT CRITIC.

25. LOOKING BACK, RIOTS MAY PROVE TO HAVE BROUGHT SOME  
BENEFITS, DESPITE TRAGIC LOSS OF LIFE AND PROPERTY. WITH  
ACUTER APPRECIATION SADAT'S SOCIO-POLITICAL CONSTRAINTS, IMF  
NEGOTIATED MODIFIED STANDBY AGREEMENTSN SETTING STAGE FOR  
ADDITIONAL ARAB AID AND FOR IBRD CONSULTATIVE GROUP'S MAY  
MEETINGS. ARABS, DEEPLY CONCERNED THAT EGYPT'S STABILITY MAY  
BE IN DOUBT, MOVED JUST BEFORE QUARTER'S END TO MAKE ADDITIONA  
\$1.5 BILLION IN CASH LOAN AVAILABLE. RIOTS ALSO GALVANIZED  
LETHARGIC GOE BUREAUCRACY INTO ACTION ON LONG OVERDUE BUT ESSENTIALLY  
PALLIATIVE MEASURES: WAGE INCREASES, INCOME TAX REVISION,  
HOUSING AND RENT CONTROL. BUT HARD DECISIONS--AND HARDER  
IMPLEMENTATION--ONSUBSIDIS, GOVERNMENT SPENDING, WELFARE  
AND EDUCATION COSTS, AND ORDER OF DEVELOPMENTAL PRIORITIES HAVE  
APPARENTLY BEEN POSTPONED AND IN ANY EVENT ARE NOT SUSCEPTIBLE  
TO QUICK SOLUTIONS.

26. POLITICALLY, SADAT'S DOMESTIC ENEMIES SURFACED AND ARE NOW  
UNDER WRAPS. ON CORRUPTION ISSUE, HOWEVER, ONLY APPARENT  
EFFECT IS VIRTUAL REMOVAL OF MRS. SADAT FROM PUBLIC EYE. ALSO  
UNFORTUNATE IS THAT CRACK DOWN ON LEFT HAS GIVEN RELIGIOUS  
RIGHT SUCH SELF-CONFIDENCE THAT RADICAL MUSLIM BROTHERHOOD HAS  
VIRTUALLY TAKEN OVER CAIRO UNIVERSITY STUDENT MOVEMENT.

27. CONCLUSION: JANUARY RIOTS TARNISHED SADAT'S IMAGE, BRINGING  
INTO QUESTION BOTH HIS ABILITY RETAIN POPULAR MANDATE FROM  
EGYPTIAN PEOPLE AND HIS STATURE AS INTERNATIONAL STATESMAN ABLE TO  
FOLLOW THROUGH ON HIS ANNOUNCED PLANS CREATE A UNIFIED  
ARAB POSITION FOR MEPC AND THEN SELL MEPC RESULTS TO ARAB WORLD.  
ON INTERNATIONAL STAGE, WE THINK HE HAS REFURBISHED HIS IMAGE  
SUBSTANTIALLY. SMOOTH FUNCTIONING OF AFRO-ARAB SUMMIT  
(A POTENTIALLY SECURITY NIGHTMARE) HELPED, BUT MORE IMPORTANT  
WAS QUICK, FIRM AND PUBLIC SUPPORT FROM OTHER ARABS, ESPECIALLY  
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FROM KING KHALID AND USG.

28. AT HOME, THE POOR CONTINUE TO SUFFER AND THERE IS NOT MUCH  
SADAT CAN DO IN SHORT RUN TO ALLEVIATE THEIR MISERY. RAMPANT  
CORRUPTION AND BLATANTLY CONSPICUOUS CONSUMPTION BY THE TINY

WEALTHY TRADING CLASS WILL CONTINUE TO BE PRIME IRRITANTS.  
FURTHER, SADAT CANNOT SEEM TO OVERCOME THE IMAGE OF ISOLATION  
FROM HIS PEOPLE--"A GOOD MAN," ONE LABOR LEADER LAMENTED, BUT  
"THE SYSTEM" ENSURES NO ONE WILL BRING HIM BAD NEWS. DESPITE  
POST-RIOT INFUSIONS ARAB MONEY, EGYPT'S ECONOMY STILL TOTTERS.  
POLITICALLY, THOUGH SADAT HAS REGAINED HIS OWN SELF-CONFIDENCE,  
HIS FREEDOM TO MANEUVER MANY NOW HAVE NEW CONSTRICTIONS, GIVEN  
ENHANCED AWARENESS THAT ARMED FORCES ARE ULTIMATE GUARANTOR  
HIS REGIME. EGYPTIAN MILITARY, WHILE AS DEEPLY DESIROUS OF PEACE  
AS CIVILIAN SECTOR, ARE ALSO SOMEWHAT CHAUVINISTIC,  
ESPECIALLY WHEN IT COMES TO "CEDING ONE INCH OF OUR HOMELAND."

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